

BEFORE THE TENNESSEE REGULATORY AUTHORITY

AT NASHVILLE, TENNESSEE

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IN RE:

**UNITED CITIES GAS COMPANY, a
Division of ATMOS ENERGY
CORPORATION INCENTIVE PLAN
ACCOUNT (IPA) AUDIT**

**UNITED CITIES GAS COMPANY, a
Division of ATMOS ENERGY
CORPORATION, PETITION TO AMEND
THE PERFORMANCE BASED
RATEMAKING MECHANISM RIDER**

**DOCKET NO.
01-00704**

**RESPONSES TO ATTORNEY GENERAL'S INTERROGATORIES AND REQUESTS
FOR PRODUCTION SERVED ON THE TENNESSEE REGULATORY AUTHORITY
STAFF**

The Staff of the Energy and Water Division of the Tennessee Regulatory Authority ("Staff"), pursuant to the Hearing Officer's Order of April 28, 2004 directing that responses to pending discovery requests that have not been objected to be filed by the close of business on May 7, 2004, hereby submit the following responses to the interrogatories and requests for production received by Staff on April 30, 2004:

INTERROGATORIES

1. State each fact you rely on to support your contention that the proposed settlement is necessary and proper for the public convenience and properly serves the public interest.

Response: Without waiving any objection previously stated with regard to this interrogatory, Staff relies on each fact already a part of the record in Docket Nos. 97-01364, 01-00704 and 02-00850. The proposed settlement resolves all outstanding audit

findings in the TRA Staff's IPA Compliance Audit in Docket No. 01-00704. The parties have previously identified the remaining issues in Docket no. 01-00704 as: 1) Whether UCG's inclusion in the PBR of the savings resulting from negotiated discounted transportation contracts is consistent with the Authority's Final Order on Phase Two in Docket 97-01364 (the "Phase Two Order"); and 2) How should the savings associated with the avoided costs resulting from a negotiated gas supply agreement for requirements from the East Tennessee-NORA Gas Pipeline (the "NORA Contract") be accounted for in the PBR under the terms of the Phase Two Order and the Order in Docket No. 00-00844 authorizing inclusion of the NORA Contract in the PBR. In the proposed settlement, the Company has agreed to refund to customers all amounts that were in dispute, with interest. If the Company had agreed to refund these amounts at the time of the audit, then these issues and the TRA Staff's related findings would have been addressed and the TRA Staff would have recommended that the docket be closed. Given that the Company has, through the proposed settlement, agreed to refund these amounts now, all outstanding issues in Docket No. 01-00704 have been resolved.

The proposed settlement also resolves the issue of the inclusion of transportation savings in the PBR mechanism. It has been Staff's position that the PBR mechanism, as it was first established, did not expressly provide for savings from transported gas. The settlement requests Authority approval of the tariff submitted originally in Docket No. 02-00850 does expressly provide for the inclusion of savings from transported gas consistent with the intent of the PBR.

The Authority has already approved most of the PBR mechanism through its final order issued April 16, 1999 in Docket No. 97-01364. The only issue remaining in this docket

is whether the Authority should incorporate the transportation index factor (TIF) incentive mechanism described in described in the Company's Petition in Docket No. 02-00850 and the proposed amendment to the PBR mechanism attached as an exhibit to the Petition. The Petition and exhibit set forth facts demonstrating a reasonable methodology to calculate the savings from transported gas.

2. Identify all persons known to you, your attorney, or other agent who have knowledge, information or possess any document(s) or claim to have knowledge, information or possess any document(s) which support your answer to Interrogatory number one (1) above.

Response: Joe A. Conner, Misty Smith Kelley, Patricia Childers, John Hack, Frank Creamer and undersigned counsel and staff. Also, please refer to all persons whose identities are already a part of the record in Docket Nos. 97-01364, 01-00704 and 02-00850.

3. Identify each document, photograph, or any other article or thing whatsoever, which you claim to corroborate any part of your contentions, position or belief that the proposed settlement agreement filed March 8, 2004 in this docket is necessary and proper for the public convenience and properly serves the public interest, whether as to the issues of credibility or any other issue, or which is adverse to your contentions, position or belief that the proposed settlement agreement filed March 8, 2004 in this docket is necessary and proper for the public convenience and properly serves the public interest, whether as to the issues of credibility or any other issue.

Response: Please refer to each document, photograph, or any other article or thing whatsoever already a part of the record in Docket Nos. 97-01364, 01-00704 and 02-00850.

4. With respect to each person you expect to call as an expert witness, or provide any form of testimony from, at the June 8, 2004 hearing in this matter, state:

a. their full name and work address;

Response: Staff does not expect to call or provide any form of testimony from an expert witness at the June 8, 2004 hearing in this matter.

b. each subject matter about which such witness is expected to testify;

Response: Please refer to Staff's response to Interrogatory No. 4.a.

c. the substance of the facts and opinions to which the expert is expected to testify;

Response: Please refer to Staff's response to Interrogatory No. 4.a.

d. a summary of the grounds or basis of each opinion to which such witness is expected to testify; and

Response: Please refer to Staff's response to Interrogatory No. 4.a.

e. whether or not the expert has prepared a report, letter of memorandum of his findings, conclusions or opinions.

Response: Please refer to Staff's response to Interrogatory No. 4.a.

5. Identify each state where the incentive program set out in the proposed settlement has been approved, by state and docket or matter number. Provide copies of the documents and things filed in each.

Response: Staff has no personal knowledge of whether the incentive program set out in the proposed settlement has been approved in any state.

6. Explain in detail the extent to which FERC Order: Modification of Negotiated Rate Policy, Natural Gas Pipeline Negotiated Rate Policies and Practices, 104 FERC ¶ 61,134 (2003) may be relevant to the question of whether the proposed settlement is in the public interest.

Response: Although Staff reserves the right to review this document to the extent it is relied upon by any party to this docket in support of any contention in this docket, Staff

is unfamiliar with this document and has not relied on it in any way in reaching the proposed settlement in this docket. To the extent that this question seeks to determine whether this document is relevant to the issue of whether the proposed settlement results in an amendment to the PBR tariff that is just and reasonable, Staff would preliminarily state that the document is apparently irrelevant to this issue.

7. Provide a detailed description of the amount of savings that will occur if the TRA Staff does not approve a change in the current tariff that established the current incentive plan for Atmos Energy Corporation.

Response: The TRA Staff does not have the power to approve a change in the current tariff that established the current incentive plan for Atmos Energy Corporation. However, the amount of savings that will occur if the tariff remains unchanged will be determined only after the audits for the relevant plan years are complete.

8. List and describe all credible market benchmarks or industry standards you are relying on in formulating the proposed settlement and in claiming that the proposed settlement is in the public interest.

Response: The published FERC transportation rate. Also, please refer to each benchmark or industry standard already listed and described as a part of the record in Docket Nos. 97-01364, 01-00704 and 02-00850.

9. Provide a detailed description of how the proposed settlement will be implemented in terms of surcharges or credits to Atmos Energy Corporation customers, on an audit year by audit year basis.

Response: At this time, the only known change would be credits resulting from the refund of the fees previously collected in Docket No. 01-00704 that will now be refunded to

the Company's customers. A detailed description of how the proposed settlement will be implemented is provided in the settlement proposal as well as the petition and accompanying exhibit already a part of the record in Docket No. 02-00850.

REQUESTS FOR THE PRODUCTION OF DOCUMENTS AND THINGS

1. Copies of any and all documents identified in your answers or responses to these Interrogatories.

Response: Please refer to Staff's response to Interrogatory No. 3.

2. Copies of any and all documents reviewed to prepare your answers or responses to these Interrogatories.

Response: Objection. Request for Production No. 2 is vague, overly broad, unduly burdensome and seeks information that is irrelevant and not otherwise reasonably calculated to lead to the discovery of admissible evidence. In addition, Request No. 2 seeks information that may fall within the work product and attorney-client privileges.

3. Any and all expert reports which have been obtained from an expert.

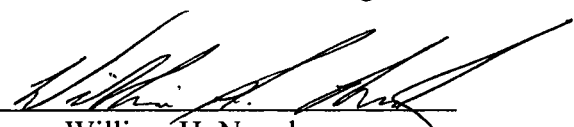
Response: Please refer to Staff's response to Interrogatory No. 4.a.

4. Each document, photograph, or any other article or thing whatsoever, upon which you rely in support of your contention(s), positions(s) or beliefs(s) that the proposed settlement is necessary and proper for the public convenience and properly serves the public interest.

Response: Please refer to Staff's response to Interrogatory No. 3.

VERIFICATION

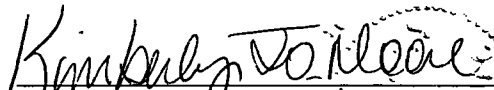
I, William H. Novak, hereby depose and say, after having been first duly sworn, that I have read the foregoing Interrogatories and the answers and responses thereto are true according to the best of my knowledge, information, and belief.


Name: William H. Novak
Title: Chief, Energy and Water
Division


DAVIDSON COUNTY, TENNESSEE

Personally appeared before me, Mr. William H. Novak, with whom I am personally acquainted, and who acknowledged that he has answered the foregoing Interrogatories and executed the foregoing instrument for the purposes therein contained.

Witness my hand, at office, on this 7th day of May, 2004.


NOTARY PUBLIC November 26,
My Commission Expires: 2005

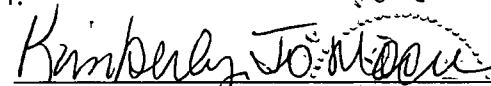
I, Pat Murphy, hereby depose and say, after having been first duly sworn, that I have read the foregoing Interrogatories and the answers and responses thereto are true according to the best of my knowledge, information, and belief.


Name: Pat Murphy
Title: Senior Financial Analyst

DAVIDSON COUNTY, TENNESSEE

Personally appeared before me, Mrs. Pat Murphy, with whom I am personally acquainted, and who acknowledged that he has answered the foregoing Interrogatories and executed the foregoing instrument for the purposes therein contained.

Witness my hand, at office, on this 7th day of May, 2004.


NOTARY PUBLIC November 26,
My Commission Expires: 2005

Respectfully submitted,

ENERGY AND WATER DIVISION
OF THE TENNESSEE REGULATORY AUTHORITY



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served via hand delivery or U.S. Mail, postage prepaid, upon the persons listed below this 7th day of May, 2004.

Russell T. Perkins
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